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# Comparative statements; Accounting Research Bulletin, no. 06

American Institute of Certified Public Accountants. Committee on Accounting Procedure

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# Accounting Research BULLETINS

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No. 6

Comparative Statements

## EXTENSION OF USE RECOMMENDED

THE increasing use of comparative statements in the annual reports of companies is a step in the right direction. The practice enhances the significance of the reports, and brings out more clearly the nature and trends of current changes affecting the enterprise. The use of statements in comparative form serves to increase the reader's grasp of the fact that the statements for a series of periods are far more significant than those for a single period—that the statements for one year are but one instalment of what is essentially a continuous history.

It is therefore recommended that the use of comparative statements be extended. In any one year it is ordinarily desirable that the balance sheet, the income statement and the surplus statement (the two latter being separate or combined) be given for the preceding as well as for the current year. Footnotes, explanations and accountants' qualifications already made on the statements for the preceding year should be given, or at least referred to, in the comparative statements. If, because of reclassifications or for other reasons, changes have occurred in the basis for presenting corresponding items for the two periods, information should be furnished which will explain the change. This is in conformity with the well recognized rule that any change in practice which would affect comparability should be disclosed.

The question of responsibility to be assumed by the accountant in his report requires consideration. In general it is desirable that he should accept the responsibility of satisfying himself that the figures for the preceding year fairly present the position and results, and are properly comparable with those of the current year, or that any exceptions to their comparability are clearly brought out. In the common case in which the accountant will have examined the accounts of both years no difficulty in assuming this responsibility should arise.

Circumstances vary so greatly that it is not practicable to deal here

## *Accounting Research Bulletins*

specifically with all cases. The accountant should, however, make very clear what statements are included in the scope of his report and any reservations which he may have in regard to accounts not so included.

*The statement entitled "Comparative Statements" was unanimously adopted by the twenty-two members of the committee.*

Mr. Henry B. Fernald assents to this statement but with some reservation regarding comparative income accounts. He feels that sometimes they may be misunderstood unless accompanied by adequate explanations, and that too much importance must not be attached to a showing of income differences from one year to the next.

## NOTES

*1. Accounting Research Bulletins represent the considered opinion of at least two-thirds of the members of the committee on accounting procedure, reached on a formal vote after examination of the subject matter by the committee and the research department. Except in cases in which formal adoption by the Institute membership has been asked and secured, the authority of the bulletins rests upon the general acceptability of opinions so reached. (See Report of Committee on Accounting Procedure to Council, dated September 18, 1939.)*

*2. Recommendations of the committee are not intended to be retroactive, nor applicable to immaterial items. (See Bulletin No. 1, page 3.)*

*3. It is recognized also that any general rules may be subject to exception; it is felt, however, that the burden of justifying departure from accepted procedures must be assumed by those who adopt other treatment. (See Bulletin No. 1, page 3.)*

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